

AMENDED IN ASSEMBLY MAY 21, 2012

AMENDED IN ASSEMBLY MAY 9, 2012

AMENDED IN ASSEMBLY APRIL 30, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

## ASSEMBLY BILL

**No. 2160**

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**Introduced by Assembly Members Blumenfield and Feuer**  
*(Coauthor: Senator Anderson)*

February 23, 2012

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An act to add Section 1241.2 to the Insurance Code, relating to insurance.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2160, as amended, Blumenfield. Insurance: retention risk.

Existing law prohibits domestic insurers from acquiring foreign investments from or located in foreign jurisdictions designated as state sponsors of terrorism by the United States Secretary of State.

Existing law, the Iran Contracting Act of 2010, provides that a person whose name appears on a list developed *or contracted for development* by the Department of General Services as a person determined by the department to be engaged in investment activities in Iran is ineligible to bid on, submit a proposal for, enter into, or renew a contract with a public entity.

This bill would require that above-referenced investments by a domestic insurer in companies that are included on the list maintained by the Department of General Services be treated as nonadmitted assets on the financial statements of the domestic insurer. The bill would deem use of the list developed for purposes of the Iran Contracting Act of 2010 as automatic compliance with these requirements. The bill would

require the insurer to provide the department with specified information, on an annual basis, including a list of the investments the insurer has in companies included on the list and a detailed summary of the business operations the listed company has in Iran.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1241.2 is added to the Insurance Code,  
2 to read:

3 1241.2. (a) The Legislature finds and declares *all of the*  
4 following:

5 (1) The federal Securities and Exchange Commission has  
6 determined that business activities in foreign states, sponsoring  
7 terrorism, such as Iran, that are subject to sanctions by the United  
8 States may materially harm the share value of foreign companies.  
9 Shares in these foreign companies may be held in the portfolio of  
10 insurance companies issuing policies to California consumers.

11 (2) Publicly traded companies in the United States are  
12 substantially restricted in doing business in or with foreign states  
13 such as Iran that the United States Department of State has  
14 identified as sponsoring terrorism.

15 (3) Identifying companies with business activities in foreign  
16 states such as Iran that sponsor terrorism and ensuring that those  
17 investments are financially sound is an important public policy  
18 priority.

19 (4) It is the government of Iran, and not the people of Iran, that  
20 is responsible for Iran's support of terrorism and which commits  
21 egregious violations of human rights under which its own citizens  
22 are required to live.

23 (b) As used in this section, the following definitions shall apply:

24 (1) "Business operations" means maintaining, selling, or leasing  
25 equipment, facilities, personnel, or any other apparatus of business  
26 or commerce in Iran, including the ownership or possession of real  
27 or personal property located in Iran.

28 (2) "Company" means a sole proprietorship, organization,  
29 association, corporation, partnership, venture, or other entity, its  
30 subsidiary or affiliate that exists for profitmaking purposes or to  
31 otherwise secure economic advantage. "Company" also means a

1 company owned or controlled, either directly or indirectly, by the  
2 government of Iran, that is established or organized under the laws  
3 of or has its principal place of business in the Islamic Republic of  
4 Iran.

5 (3) “Government of Iran” means the government of Iran or its  
6 instrumentalities or political subdivisions. “Government of Iran”  
7 also means an individual, company, or public agency located in  
8 Iran that provides material or financial support to the Islamic  
9 Republic of Iran.

10 (4) “Invest” or “investment” means the purchase, ownership,  
11 or control of stock of a company, association, or corporation, the  
12 capital stock of a mutual water company or corporation, bonds  
13 issued by the government or a political subdivision of Iran,  
14 corporate bonds or other debt instruments issued by a company,  
15 or the commitment of funds or other assets to a company, including  
16 a loan or extension of credit to that company.

17 (5) “Iran” means the Islamic Republic of Iran or a territory under  
18 the administration or control of Iran.

19 (c) (1) Investments by a domestic insurer included on the list  
20 of companies by the Department of General Services pursuant to  
21 subdivision (b) of Section 2203 of the Public Contract Code shall  
22 be treated as nonadmitted assets. Utilization of this list by a  
23 domestic insurer to review its investments shall be deemed  
24 automatic compliance by the department.

25 (2) On or before June 30, 2013, and annually thereafter, the  
26 insurer shall determine what investments it has in companies  
27 included on the Department of General Services list.

28 (d) The insurer shall provide the department, on an annual basis,  
29 all of the following:

30 (1) A list of investments the insurer has in companies included  
31 on the Department of General Services list *described in subdivision*  
32 *(c)*, including, but not limited to, the issuer, by name, of the stock,  
33 bonds, securities, and other evidence of indebtedness.

34 (2) A detailed summary of the business operations a company  
35 described in paragraph (1) has in Iran.

36 (e) If the insurer sells or transfers all of its investments in  
37 companies included on the Department of General Services list  
38 *described in subdivision (c)*, this section shall not apply to that  
39 insurer.

1 (f) This section shall cease to be operative if both of the  
2 following apply:

3 (1) Iran is removed from the United States Department of State's  
4 list of countries that have been determined to repeatedly provide  
5 support for acts of international terrorism.

6 (2) Pursuant to the appropriate federal statute, the President of  
7 the United States determines and certifies to the appropriate  
8 committee of the Congress of the United States that Iran has ceased  
9 its efforts to design, develop, manufacture, or acquire a nuclear  
10 explosive device or related materials and technology.

11 (g) The provisions of this section are severable. If any provision  
12 of this section or its application is held invalid, that invalidity shall  
13 not affect other provisions or applications that can be given effect  
14 without the invalid provision or application.